

Turkey Valley Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2004

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Turkey Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2003 Election)

Roger Ott	President	2005
Linus Kuhn	Vice President	2003
Duane Wurzer	Board Member	2003
Scott Adams	Board Member	2005
Jolene Steinlage	Board Member	2004

Board of Education

(After September 2003 Election)

Roger Ott	President	2005
Linus Kuhn	Vice President	2006
John Cuvelier	Board Member	2006
Scott Adams	Board Member	2005
Jolene Steinlage	Board Member	2004

School Officials

Karlos McClure	Superintendent	2004
Cathy Dietzenbach	Business Manager	2004
Brian Gruhn	Attorney	2004

Independent Auditor's Report

To the Board of Education of
Turkey Valley Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District, Jackson Junction, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Turkey Valley Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Turkey Valley Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated September 8, 2004 on my consideration of Turkey Valley Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Turkey Valley Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box. The signature is fluid and cursive.

Keith Oltrogge
Certified Public Accountant

September 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Turkey Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,270,831 in fiscal 2003 to \$4,256,209 in fiscal 2004, while General Fund expenditures also decreased from \$4,377,506 in fiscal 2003 to \$4,333,612 in fiscal 2004. The District's General Fund balance decreased from \$444,249 in fiscal year 2003 to \$366,846 in fiscal year 2004, a 17% decrease.
- The decrease in General Fund revenues was attributable to a decrease in state aid in fiscal year 2004. The decrease in expenditures was due primarily to a decrease in purchased services while salaries and benefits slightly increased. As a result, the District funded a portion of the current year General Fund expenditures from the carryover balance.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$23,640 in fiscal 2003 to \$11,258 in fiscal 2004 which includes ISCAP interest earnings.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Turkey Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Turkey Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Turkey Valley Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Turkey Valley Community School District Annual Financial Report

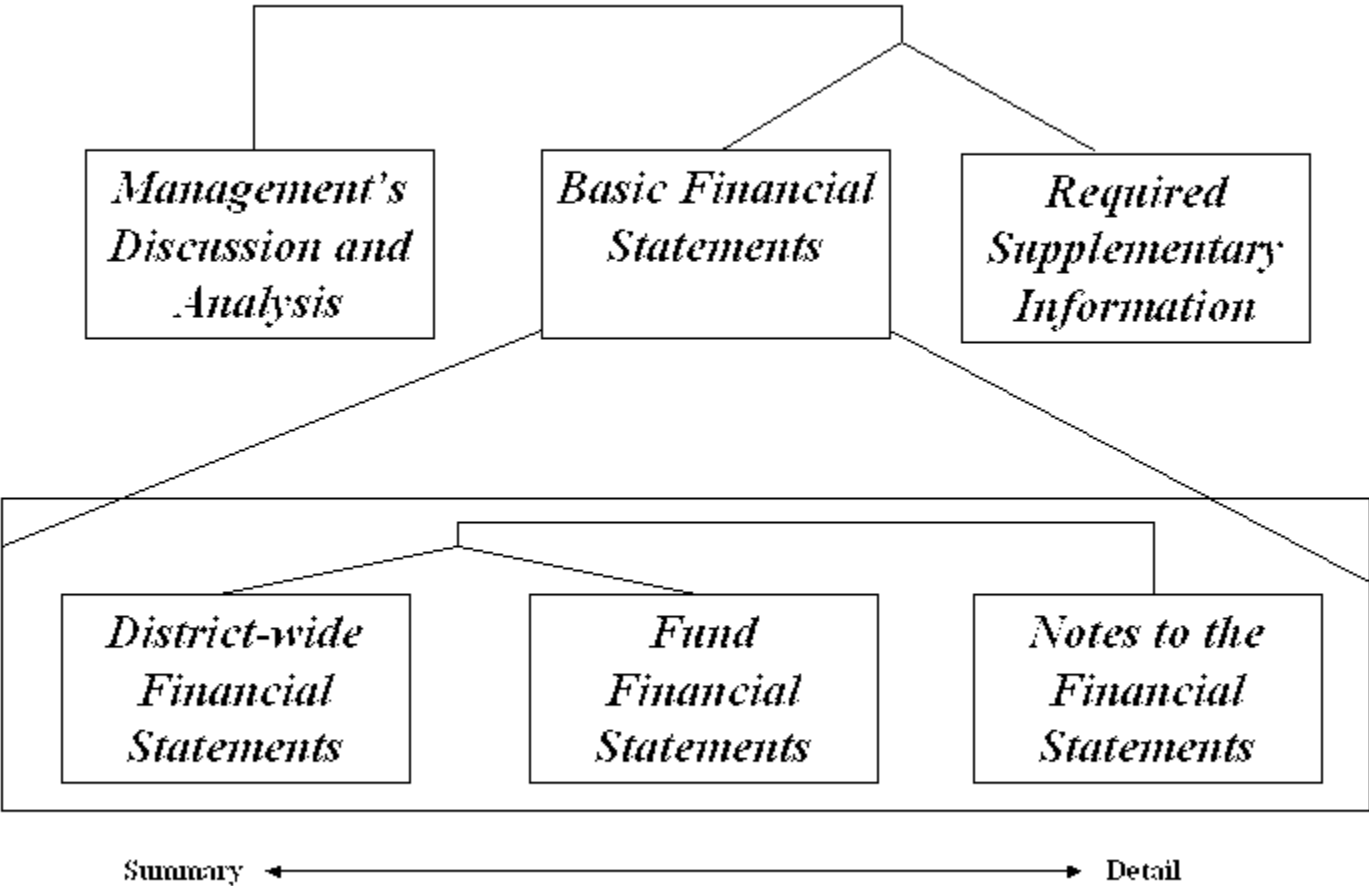


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and preschool programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$3,088,483	\$3,711,202	\$6,827	\$4,113	\$3,095,310	\$3,715,315	-\$620,005
Capital assets	1,934,272	1,864,042	6,605	6,788	1,940,877	1,870,830	70,047
Total assets	\$5,022,755	\$5,575,244	\$13,432	\$10,901	\$5,036,187	\$5,586,145	-\$549,958
Long-term liabilities	\$530,545	\$665,800	\$-	\$-	\$530,545	\$665,800	-\$135,255
Other liabilities	2,375,048	2,543,545	2,694	2,847	2,377,742	2,546,392	-168,650
Total liabilities	\$2,905,593	\$3,209,345	\$2,694	\$2,847	\$2,908,287	\$3,212,192	-\$303,905
Net assets:							
Invested in capital assets, net of related debt	\$1,462,210	\$1,275,511	\$6,605	\$6,788	\$1,468,815	\$1,282,299	\$186,516
Restricted	288,106	646,139	-	-	288,106	646,139	-358,033
Unrestricted	366,846	444,249	4,133	1,266	370,979	445,515	-74,536
Total net assets	\$2,117,162	\$2,365,899	\$10,738	\$8,054	\$2,127,900	\$2,373,953	-\$246,053

The District's combined net assets decreased by nearly 10%, or approximately \$246,000, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by approximately \$358,000, or 55% over the prior year. The decrease was primarily a result of increased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$74,000, or 17%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$473,188	\$159,834	\$633,022
Operating grants, contributions and restricted interest	519,164	75,661	594,825
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,734,408	-	1,734,408
Local option sales and services tax	234,576	-	234,576
Unrestricted state grants	1,906,513	-	1,906,513
Unrestricted investment earnings	12,514	316	12,830
Total revenues	\$4,880,363	\$235,811	\$5,116,174
Program expenses:			
Governmental activities:			
Instruction	\$3,176,512	\$-	\$3,176,512
Support services	1,391,515	-	1,391,515
Non-instructional programs	769	250,349	251,118
Other expenses	543,082	-	543,082
Total expenses	\$5,111,878	\$250,349	\$5,362,227
Change in net assets	-\$231,515	-\$14,538	-\$246,053

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,880,363 and expenses were \$5,111,878. The large decrease in net assets is due to \$460,228 of expenses towards the Early Childhood Literacy Addition building project, while the \$600,000 in bond proceeds were deposited in the 2002-03 fiscal year.

The local option sales tax revenue of \$234,576 contributed to the expenditures of the Early Childhood Literacy Addition along with loan principal and interest payments of \$131,200. The District has paid off one year of a four and one-half year loan on the Early Childhood Literacy Addition.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,176,512	\$2,416,833
Support services	1,391,515	1,347,082
Non-instructional programs	769	769
Other expenses	543,082	355,202
Totals	\$5,111,878	\$4,119,886

- The cost financed by users of the District's programs was \$633,022.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$594,825.
- The net cost of governmental activities was financed with \$1,968,984 in property and other taxes and \$1,906,513 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$235,811 and expenses were \$250,349. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District served fewer meals. This resulted in decreased revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, Turkey Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$714,293, well below last year's ending fund balances of \$1,168,841. The primary reason for the decrease in combined fund balances in fiscal 2004 is due to approximately \$600,000 of general obligation bond proceeds received in fiscal 2003. In addition, the Management Fund had an extraordinary expense this year due to a health insurance assessment of \$53,120.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. A reduction during the year in state aid resulted in a decrease in revenues. The decrease in revenues required the District to use carryover fund balance to meet its financial obligations during the year.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$71,650 in fiscal 2003 to \$156,362 in fiscal 2004. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund by utilizing the Capital Projects Fund.
- The Capital Projects Fund balance has decreased from \$453,249 to \$96,498, a total of \$356,751. The Capital Projects Fund balance funded the Early Childhood Literacy Addition. The school district received bonds of \$600,000 in June of 2003 and will pay them off in four and one-half years for this building addition. The Turkey Valley Community School District lies in four counties. Winneshiek County was the only one with the Local Option Sales and Services Tax in the 2002-03 school year. On July 1, 2003, Chickasaw and Fayette Counties also approved the Local Option Sales and Services Tax. Howard County approved the tax as of January 1, 2004. Therefore, 2003-04 started with three counties with the Local Option Sales and Services Tax and added Howard County mid-year. With all four counties with the Local Option Sales and Services Tax, the amount of tax received has increased and provided the District more opportunities.

Proprietary Fund Highlights

School Nutrition Fund net assets increased \$2,684. For fiscal 2004, the District increased meal prices and reduced expenses, resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Turkey Valley Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the Early Childhood Literacy Addition and the anticipated summer construction projects.

The District's receipts were \$396,093 less than budgeted receipts, a variance of 7%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$1.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.6% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$178,238.

The original cost of the District's capital assets was \$5.7 million. Governmental funds account for \$5.69 million, with the remainder of \$.01 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital assets activity during the year occurred in the construction in progress category. The District's construction in progress was zero at June 30, 2004, compared to \$492,596 reported at June 30, 2003. This significant decrease was a result of construction activity.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$31,046	\$31,046	\$-	\$-	\$31,046	\$31,046	\$-
Construction in progress	-	492,596	-	-	-	492,596	-492,596
Buildings	2,012,704	1,439,121	-	-	2,012,704	1,439,121	573,583
Improvements other than buildings	66,106	66,106	-	-	66,106	66,106	-
Furniture and equipment	3,576,349	3,454,896	14,122	26,219	3,590,471	3,481,115	109,356
Totals	\$5,686,205	\$5,483,765	\$14,122	\$26,219	\$5,700,327	\$5,509,984	\$190,343

Long-Term Debt

At June 30, 2004, the District had \$530,545 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 20% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2004	2003	2003-2004
General obligation bonds	\$472,062	\$588,531	-\$116,469
Early retirement	58,483	77,269	-18,786
Totals	\$530,545	\$665,800	-\$135,255

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- The District has experienced declining enrollment for the past years and expects it to decline at a slower rate in the future.
- The District has maintained a replacement schedule for the bus fleet. However, the vehicles are aging and restrictions have been placed on a car prohibiting transportation of children. The District will need to replace the car and the school truck, which will not sustain another year of snow removal.
- The addition of the Local Option Sales and Services Tax in Howard County has not been collected for a full fiscal year yet. These monies will help maintain and enhance the facilities with the window replacement program. Other remodeling and updating projects can also utilize these funds to maintain our current facility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cathy Dietzenbach, Business Manager, Turkey Valley Community School District, Jackson Junction IA 52171.

Basic Financial Statements

Turkey Valley Community School District

Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 598,540	\$ -	\$ 598,540
Other	630,060	5,481	635,541
Receivables:			
Property tax:			
Delinquent	27,912	-	27,912
Succeeding year	1,744,766	-	1,744,766
Accounts	7,805	-	7,805
Accrued interest:			
ISCAP	1,243	-	1,243
Other	651	40	691
Due from other governments	74,656	-	74,656
Inter-fund receivable	2,850	-	2,850
Inventories	-	1,306	1,306
Capital assets, net of accumulated depreciation	1,934,272	6,605	1,940,877
Total Assets	\$ 5,022,755	\$ 13,432	\$ 5,036,187
Liabilities			
Accounts payable	\$ 15,587	\$ 340	\$ 15,927
Salaries and benefits payable	14,102	-	14,102
Accrued interest payable	858	-	858
Deferred revenue-succeeding year property tax	1,744,766	-	1,744,766
Deferred revenue-other	-	2,354	2,354
ISCAP warrants payable	595,000	-	595,000
ISCAP accrued interest payable	1,885	-	1,885
Inter-fund payable	2,850	-	2,850
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	130,260	-	130,260
Early retirement	7,605	-	7,605
Portion due after one year:			
General obligation bonds payable	341,802	-	341,802
Early retirement	50,878	-	50,878
Total Liabilities	\$ 2,905,593	\$ 2,694	\$ 2,908,287
Net Assets			
Invested in capital assets, net of related debt	\$ 1,462,210	\$ 6,605	\$ 1,468,815
Restricted for:			
Management levy	-46,631	-	-46,631
Physical plant and equipment levy	156,362	-	156,362
Other special revenue purposes	178,375	-	178,375
Unrestricted	366,846	4,133	370,979
Total Net Assets	\$ 2,117,162	\$ 10,738	\$ 2,127,900

See notes to financial statements.

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,257,622	\$ 219,708	\$ 187,725	\$ -
Special instruction	548,092	53,379	102,939	-
Other instruction	370,798	193,261	2,667	-
	<u>\$ 3,176,512</u>	<u>\$ 466,348</u>	<u>\$ 293,331</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 149,639	\$ -	\$ -	\$ -
Instructional staff services	92,966	-	-	-
Administration services	544,386	-	1,860	-
Operation and maintenance of plant services	347,002	-	-	-
Transportation services	257,522	6,840	36,093	-
	<u>\$ 1,391,515</u>	<u>\$ 6,840</u>	<u>\$ 37,953</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ 769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 345,712	\$ -	\$ 8,193	\$ -
Long-term debt interest	14,405	-	-	-
AEA flow-through	179,687	-	179,687	-
Depreciation (unallocated) *	3,278	-	-	-
	<u>\$ 543,082</u>	<u>\$ -</u>	<u>\$ 187,880</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 5,111,878</u>	<u>\$ 473,188</u>	<u>\$ 519,164</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 218,983	\$ 145,690	\$ 75,661	\$ -
Preschool operations	31,366	14,144	-	-
	<u>\$ 250,349</u>	<u>\$ 159,834</u>	<u>\$ 75,661</u>	<u>\$ -</u>
Total	<u>\$ 5,362,227</u>	<u>\$ 633,022</u>	<u>\$ 594,825</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,850,189	\$	-	\$ -1,850,189
	-391,774		-	-391,774
	-174,870		-	-174,870
\$	-2,416,833	\$	-	\$ -2,416,833
\$	-149,639	\$	-	\$ -149,639
	-92,966		-	-92,966
	-542,526		-	-542,526
	-347,002		-	-347,002
	-214,589		-	-214,589
\$	-1,346,722	\$	-	\$ -1,346,722
\$	-769	\$	-	\$ -769
\$	-337,519	\$	-	\$ -337,519
	-14,405		-	-14,405
	-		-	-
	-3,278		-	-3,278
\$	-355,202	\$	-	\$ -355,202
\$	-4,119,526	\$	-	\$ -4,119,526
\$	-	\$	2,368	\$ 2,368
	-		-17,222	-17,222
\$	-	\$	-14,854	\$ -14,854
\$	-4,119,526	\$	-14,854	\$ -4,134,380

Turkey Valley Community School District

Statement of Activities

Year Ended June 30, 2004

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Total General Revenues			
Change in net assets			
Transfers			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,592,381	\$ -	\$ 1,592,381
-	-	-
142,027	-	142,027
234,576	-	234,576
1,906,513	-	1,906,513
12,514	316	12,830
\$ 3,888,011	\$ 316	\$ 3,888,327
\$ -231,515	\$ -14,538	\$ -246,053
-17,222	17,222	-
\$ -248,737	\$ 2,684	\$ -246,053
2,365,899	8,054	2,373,953
\$ 2,117,162	\$ 10,738	\$ 2,127,900

Turkey Valley Community School District

Balance Sheet
Governmental Funds

June 30, 2004

Assets	General	Physical Plant and Equipment	Non-major Special Revenue	Total
Cash and Pooled Investments:				
ISCAP	\$ 598,540	\$ -	\$ -	\$ 598,540
Other	304,478	153,994	171,588	630,060
Receivables:				
Property Tax:				
Delinquent	24,912	2,281	719	27,912
Succeeding year	1,533,671	101,495	109,600	1,744,766
Accounts	7,772	-	33	7,805
Accrued interest:				
ISCAP	1,243	-	-	1,243
Other	527	87	37	651
Inter-fund receivable	-	-	2,850	2,850
Due from other governments	54,312	-	20,344	74,656
Total Assets	\$ 2,525,455	\$ 257,857	\$ 305,171	\$ 3,088,483
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 11,101	\$ -	\$ 4,486	\$ 15,587
Salaries and benefits payable	14,102	-	-	14,102
ISCAP warrants payable	595,000	-	-	595,000
ISCAP accrued interest payable	1,885	-	-	1,885
Deferred Revenue:				
Succeeding year property tax	1,533,671	101,495	109,600	1,744,766
Inter-fund payable	2,850	-	-	2,850
Total Liabilities	\$ 2,158,609	\$ 101,495	\$ 114,086	\$ 2,374,190
Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ -	\$ -
Unreserved	366,846	156,362	191,085	714,293
Total Fund Balances	\$ 366,846	\$ 156,362	\$ 191,085	\$ 714,293
Total Liabilities and Fund Balances	\$ 2,525,455	\$ 257,857	\$ 305,171	\$ 3,088,483

See notes to financial statements.

Turkey Valley Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (page 16)	\$ 714,293
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,934,272
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-858
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	-530,545
Net assets of governmental activities (page 13)	<u>\$ 2,117,162</u>

Turkey Valley Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2004

	General	Physical Plant and Equipment	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,547,711	\$ 142,027	\$ 279,347	\$ 1,969,085
Tuition	236,100	-	-	236,100
Other	36,568	8,840	193,769	239,177
Intermediate sources	18,517	-	-	18,517
State sources	2,278,401	130	41	2,278,572
Federal sources	138,912	-	-	138,912
Total Revenues	\$ 4,256,209	\$ 150,997	\$ 473,157	\$ 4,880,363
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,119,129	\$ -	\$ 89,182	\$ 2,208,311
Special instruction	533,625	-	-	533,625
Other instruction	177,587	-	192,485	370,072
	\$ 2,830,341	\$ -	\$ 281,667	\$ 3,112,008
Support Services:				
Student services	\$ 150,105	\$ -	\$ 303	\$ 150,408
Instructional staff services	121,153	-	173	121,326
Administration services	534,489	-	7,089	541,578
Operation and maintenance of plant services	314,965	7,720	38,153	360,838
Transportation services	184,881	58,565	16,201	259,647
	\$ 1,305,593	\$ 66,285	\$ 61,919	\$ 1,433,797
Non-instructional programs	\$ 769	\$ -	\$ -	\$ 769
Other Expenditures:				
Facilities acquisition	\$ -	\$ -	\$ 460,228	\$ 460,228
Long-Term Debt:				
Principal	-	-	116,469	116,469
Interest and fiscal charges	-	-	14,731	14,731
AEA flow-through	179,687	-	-	179,687
	\$ 179,687	\$ -	\$ 591,428	\$ 771,115
Total Expenditures	\$ 4,316,390	\$ 66,285	\$ 935,014	\$ 5,317,689
Excess (deficiency) of revenues over (under) expenditures	\$ -60,181	\$ 84,712	\$ -461,857	\$ -437,326
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 131,200	\$ 131,200
Operating transfers out	-17,222	-	-131,200	-148,422
Total Other Financing Sources (Uses)	\$ -17,222	\$ -	\$ -	\$ -17,222
Net change in fund balances	\$ -77,403	\$ 84,712	\$ -461,857	\$ -454,548
Fund balances beginning of year, as restated (Note 12)	444,249	71,650	652,942	1,168,841
Fund Balances End of Year	\$ 366,846	\$ 156,362	\$ 191,085	\$ 714,293

See notes to financial statements.

Turkey Valley Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2004

Net change in fund balances – total governmental funds (page 18) \$ -454,548

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 248,468	
Depreciation expense	-178,238	70,230

Certain delinquent property tax not collected for several months after year-end is not considered available revenue and is deferred in the governmental funds

-

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -	
Repaid	116,469	116,469

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		18,786

Change in Net Assets of Governmental Activities (page 15) **\$ -248,737**

Turkey Valley Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2004

Assets

Cash and cash equivalents	\$	5,481
Accrued interest receivable		40
Inventories		1,306
Capital assets, net of accumulated depreciation		6,605
Total Assets	\$	13,432

Liabilities

Accounts payable	\$	340
Deferred revenue-other		2,354
Total Liabilities	\$	2,694

Net Assets

Invested in capital assets, net of related debt	\$	6,605
Unrestricted		4,133
Total Net Assets	\$	10,738

Turkey Valley Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
June 30, 2004

Operating revenues:	
Local sources:	
Charges for service	\$ 159,834
Operating expenses:	
Non-instructional programs:	
Salaries	\$ 92,678
Benefits	38,093
Purchased services	1,234
Supplies	117,167
Depreciation	1,177
Total operating expenses	\$ 250,349
Operating loss	\$ -90,515
Non-operating revenues:	
State sources	\$ 3,447
Federal sources	72,214
Interest income	316
Total non-operating revenues	\$ 75,977
Change in net assets	\$ -14,538
Transfers	17,222
Change in net assets	\$ 2,684
Net assets beginning of year	8,054
Net Assets End of Year	\$ 10,738

See notes to financial statements.

Turkey Valley Community School District

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2004

Cash flows from operating activities:	
Cash received from preschool fees	\$ 14,144
Cash received from sale of lunches and breakfasts	145,204
Cash paid to employees for services	-92,678
Cash paid to suppliers for goods or services	-136,310
Net cash used by operating activities	<u>\$ -69,640</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,447
Federal grants received	55,015
Net cash provided by non-capital financing activities	<u>\$ 58,462</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -994</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 320</u>
Net decrease in cash and cash equivalents	\$ -11,852
Transfers in	<u>17,222</u>
Net increase in cash and cash equivalents	\$ 5,370
Cash and cash equivalents beginning of year	<u>111</u>
Cash and Cash Equivalents End of Year	<u>\$ 5,481</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -90,515
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	19,460
Depreciation	1,177
Decrease in inventories	389
Decrease in interest receivable	3
Increase in accounts payable	340
(Decrease) in deferred revenue	-494
Net Cash Used by Operating Activities	<u>\$ -69,640</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$17,199 of federal commodities.

See notes to financial statements.

Turkey Valley Community School District

**Statement of Fiduciary Net Assets
Fiduciary Fund**

June 30, 2004

		Private Purpose Trust
		<u>Scholarship</u>
Assets		
Cash and pooled investments	\$	<u>7,550</u>
Liabilities		
Accounts payable	\$	<u>-</u>
Net Assets		
Reserved for scholarships	\$	<u><u>7,550</u></u>

Turkey Valley Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended June 30, 2004

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 755
Interest income	137
Total additions	<u>\$ 892</u>
Deductions	
Support services:	
Scholarships awarded	<u>\$ 490</u>
Change in net assets	\$ 402
Net assets beginning of year	<u>7,148</u>
Net Assets End of Year	<u><u>\$ 7,550</u></u>

Turkey Valley Community School District

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Turkey Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territories and small rural communities in eastern Chickasaw, northwestern Fayette, southern Howard and southern Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Turkey Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Turkey Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is used to account for resources used in the acquisition and construction of capital facilities.

The District reports the following non-major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Preschool Fund. These funds are used to account for the food service and preschool operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$438,681 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Student Activity	General	<u>\$ 2,850</u>

The General Fund is repaying the Student Activity Fund for supplies purchased. The balance will be repaid by June 30, 2005.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Preschool Fund	General Fund	\$ 17,222
Debt Service	Special Revenue: Capital Projects	<u>131,200</u>
		<u>\$ 148,422</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-2004B	1/30/04	1/28/05	\$ 228,546	\$ 1,243	\$ 227,000	\$ 1,885
2004-2005A	6/30/04	6/30/05	369,994	-	368,000	-
Total			<u>\$ 598,540</u>	<u>\$ 1,243</u>	<u>\$ 595,000</u>	<u>\$ 1,885</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 12)	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 31,046	\$ -	\$ -	\$ 31,046
Construction in progress	492,596	-	492,596	-
Total capital assets not being depreciated	<u>\$ 523,642</u>	<u>\$ -</u>	<u>\$ 492,596</u>	<u>\$ 31,046</u>
Capital assets being depreciated:				
Buildings	\$ 1,439,121	\$ 573,583	\$ -	\$ 2,012,704
Improvements other than buildings	66,106	-	-	66,106
Furniture and equipment	3,454,896	167,481	46,028	3,576,349
Total capital assets being depreciated	<u>\$ 4,960,123</u>	<u>\$ 741,064</u>	<u>\$ 46,028</u>	<u>\$ 5,655,159</u>
Less accumulated depreciation for:				
Buildings	\$ 445,107	\$ 49,686	\$ -	\$ 494,793
Improvements other than buildings	26,957	189	-	27,146
Furniture and equipment	3,147,659	128,363	46,028	3,229,994
Total accumulated depreciation	<u>\$ 3,619,723</u>	<u>\$ 178,238</u>	<u>\$ 46,028</u>	<u>\$ 3,751,933</u>
Total capital assets being depreciated, net	<u>\$ 1,340,400</u>	<u>\$ 562,826</u>	<u>\$ -</u>	<u>\$ 1,903,226</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,864,042</u>	<u>\$ 562,826</u>	<u>\$ 492,596</u>	<u>\$ 1,934,272</u>
Business type activities:				
Furniture and equipment	\$ 26,219	\$ 994	\$ 13,091	\$ 14,122
Less accumulated depreciation	19,431	1,177	13,091	7,517
Business Type Activities Capital Assets, Net	<u>\$ 6,788</u>	<u>\$ -183</u>	<u>\$ -</u>	<u>\$ 6,605</u>
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular			\$	81,200
Special				14,908
Other				8,800
Support services:				
Administration				5,614
Operation and maintenance of plant				6,940
Transportation				57,498
			<u>\$</u>	<u>174,960</u>
Unallocated				3,278
Total Depreciation Expense – Governmental Activities			<u>\$</u>	<u>178,238</u>
Business Type Activities:				
Food service operations			<u>\$</u>	<u>1,177</u>

(7) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 588,531	\$ -	\$ 116,469	\$ 472,062	\$ 130,260
Early retirement	77,269	-	18,786	58,483	7,605
Total	\$ 665,800	\$ -	\$ 135,255	\$ 530,545	\$ 137,865

Early Retirement

The District offered a voluntary early retirement plan to its certified employees. Eligible employees must have been at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees completed an application, which was required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2004 totaled \$18,786.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	3%	\$ 130,260	\$ 12,427	\$ 142,687
2006	3%	133,247	8,464	141,711
2007	3%	138,332	4,380	142,712
2008	3%	70,763	620	71,383
Total		\$ 472,602	\$ 25,891	\$ 498,493

During the year ended June 30, 2004, the District made principal and interest payments totaling \$131,200 under the agreement.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$100,475, \$101,664 and \$100,991, respectively, equal to the required contributions for each year.

(9) Risk Management

Turkey Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$179,687 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Commitments

The District has entered into a contract totaling \$58,459 for a new 77 passenger school bus. As of June 30, 2004, the final billing from the contractor for the Early Childhood Literacy Addition of \$29,500 had not been paid. The contractor has filed bankruptcy and the status of work completion and final payment are unknown.

(12) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			
	General	Physical Plant and Equipment Levy	Non- major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 444,249	\$ 71,650	\$ 645,620	\$ 1,161,519
GASB Interpretation 6 adjustments	-	-	7,322	7,322
Net Assets July 1, 2003, as Restated for Governmental Funds	\$ 444,249	\$ 71,650	\$ 652,942	\$ 1,168,841
GASB 34 Adjustments:				
Capital assets, net of accumulated depreciation of \$3,619,723				1,864,042
Long-Term Liabilities:				
Bonds and notes			\$ -588,531	
Early retirement			-77,269	-665,800
Accrued interest payable				-1,184
Net Assets July 1, 2003, as Restated				<u>\$ 2,365,899</u>

Required Supplementary Information

Turkey Valley Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,444,362	\$ 160,150
Intermediate sources	18,517	-
State sources	2,278,572	3,447
Federal sources	138,912	72,214
Total Receipts	<u>\$ 4,880,363</u>	<u>\$ 235,811</u>
Disbursements:		
Instruction	\$ 3,112,008	\$ -
Support services	1,433,797	-
Non-instructional programs	769	250,349
Other expenditures	771,115	-
Total Disbursements	<u>\$ 5,317,689</u>	<u>\$ 250,349</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -437,326	\$ -14,538
Other financing sources, net	<u>-17,222</u>	<u>17,222</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ -454,548	\$ 2,684
Balances beginning of year	<u>1,168,841</u>	<u>8,054</u>
Balances End of Year	<u><u>\$ 714,293</u></u>	<u><u>\$ 10,738</u></u>

See accompanying independent auditor's report.

Total		Budgeted Amounts		Final To
Actual		Original	Final	Actual
				Variance
\$	2,604,512	\$ 2,881,570	\$ 2,881,570	\$ -277,058
	18,517	-	-	18,517
	2,282,019	2,405,697	2,405,697	-123,678
	211,126	225,000	225,000	-13,874
\$	5,116,174	\$ 5,512,267	\$ 5,512,267	\$ -396,093
\$	3,112,008	\$ 3,382,898	\$ 3,382,898	\$ 270,890
	1,433,797	1,484,452	1,584,452	150,655
	251,118	606,702	606,702	355,584
	771,115	1,076,738	1,076,738	305,623
\$	5,568,038	\$ 6,550,790	\$ 6,650,790	\$ 1,082,752
\$	-45,864	\$ -1,038,523	\$ -1,138,523	\$ 686,659
-		-	-	-
\$	-451,864	\$ -1,038,523	\$ -1,138,523	\$ 686,659
	1,176,895	1,580,465	1,580,465	-403,570
\$	725,031	\$ 541,942	\$ 441,942	\$ 283,089

Turkey Valley Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$100,000.

Other Supplementary Information

Turkey Valley Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2004

	Debt Service	Management Levy	Student Activity	Capital Projects	Total
Assets					
Cash and pooled investments	\$ -	\$ 11,133	\$ 84,338	\$ 76,117	\$ 171,588
Receivables:					
Property Tax:					
Delinquent	-	719	-	-	719
Succeeding year	-	109,600	-	-	109,600
Due from other governments	-	-	-	20,344	20,344
Accounts	-	-	33	-	33
Inter-fund receivable	-	-	2,850	-	2,850
Accrued interest	-	-	-	37	37
Total Assets	\$ -	\$ 121,452	\$ 87,221	\$ 96,498	\$ 305,171
Liabilities & Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 4,486	\$ -	\$ 4,486
Deferred revenue:					
Succeeding year property tax	-	109,600	-	-	109,600
Total Liabilities	\$ -	\$ 109,600	\$ 4,486	\$ -	\$ 114,086
Fund Equity:					
Unreserved fund balances	-	11,852	82,735	96,498	191,085
Total Liabilities and Fund Equity	\$ -	\$ 121,452	\$ 87,221	\$ 96,498	\$ 305,171

See accompanying independent auditor's report.

Turkey Valley Community School District

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds**

Year Ended June 30, 2004

	Debt Service	Management Levy	Student Activity	Capital Projects	Total
Revenues:					
Local Sources:					
Local tax	\$ -	\$ 44,670	\$ -	\$ 234,677	\$ 279,347
Other	-	-	193,769	-	193,769
State sources	-	41	-	-	41
Total Revenues	\$ -	\$ 44,711	\$ 193,769	\$ 234,677	\$ 473,157
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ -	\$ 89,182	\$ -	\$ -	\$ 89,182
Other instruction	-	-	192,485	-	192,485
Support Services:					
Student services	-	303	-	-	303
Instructional staff services	-	173	-	-	173
Administration services	-	7,089	-	-	7,089
Operation and maintenance of plant services	-	38,153	-	-	38,153
Transportation services	-	16,201	-	-	16,201
Other Expenditures:					
Facilities acquisition	-	-	-	460,228	460,228
Long-Term Debt:					
Principal	116,469	-	-	-	116,469
Interest	14,731	-	-	-	14,731
Total Expenditures	\$ 131,200	\$ 151,101	\$ 192,485	\$ 460,228	\$ 935,014
Excess (deficiency) of revenues over (under) expenditures	\$ -131,200	\$ -106,390	\$ 1,284	\$ -225,551	\$ -461,857
Other Financing Sources (Uses):					
Operating transfers in	\$ 131,200	\$ -	\$ -	\$ -	\$ 131,200
Operating transfers out	-	-	-	-131,200	-131,200
Total Other Financing Sources (Uses)	\$ 131,200	\$ -	\$ -	\$ -131,200	\$ -
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -106,390	\$ 1,284	\$ -356,751	\$ -461,857
Fund balances beginning of year, as restated	-	118,242	81,451	453,249	652,942
Fund Balances End of Year	\$ -	\$ 11,852	\$ 82,735	\$ 96,498	\$ 191,085

See accompanying independent auditor's report.

Turkey Valley Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Petty cash	\$ 13,568	\$ 42,629	\$ 43,540	\$ -	\$ 12,657
General accounts	4,733	3,360	459	-	7,634
Materials for resale (resale)	16,271	7,296	7,296	-	16,271
Athletics	11,558	87,942	81,710	-	17,790
School music groups (Fine Arts)	3,265	16,211	16,047	-	3,429
School clubs (classes)	27,431	26,345	32,075	-	21,701
Other student activities (clubs)	4,625	9,986	11,358	-	3,253
Total	\$ 81,451	\$ 193,769	\$ 192,485	\$ -	\$ 82,735

Turkey Valley Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 1,969,085	\$ 1,740,020	\$ 1,555,754
Tuition	236,100	218,484	242,241
Other	239,177	284,587	347,758
Intermediate sources	18,517	14,959	10,744
State sources	2,278,572	2,411,158	2,394,607
Federal sources	138,912	124,675	114,132
Total	<u>\$ 4,880,363</u>	<u>\$ 4,793,883</u>	<u>\$ 4,665,236</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,208,594	\$ 2,242,254	\$ 2,365,106
Special instruction	533,625	570,945	495,608
Other instruction	370,072	399,333	503,403
Support services:			
Student services	150,408	149,076	146,238
Instructional staff services	121,326	139,993	87,625
Administration services	541,578	495,066	435,806
Operation and maintenance of plant services	360,838	316,118	363,387
Transportation services	259,647	251,323	308,541
Central support services	-	-	-
Non-instructional programs	769	1,084	-
Other expenditures:			
Facilities acquisition	460,228	322,024	-
Long-term debt:			
Principal	116,469	11,025	-
Interest and other charges	14,731	444	-
AEA flow-through	179,687	193,510	194,453
Total	<u>\$ 5,317,972</u>	<u>\$ 5,092,195</u>	<u>\$ 4,900,167</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of
Turkey Valley Community School District:

I have audited the financial statements of Turkey Valley Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated September 8, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Turkey Valley Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Turkey Valley Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items I-A-04 and I-B-04 are material weaknesses. Prior year reportable conditions have been resolved except for items I-A-04 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Turkey Valley Community School District and other parties to whom Turkey Valley Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Turkey Valley Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Keith Oltrogge", is centered within a light blue rectangular box. The signature is fluid and cursive.

Keith Oltrogge
Certified Public Accountant

September 8, 2004

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2004

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-04 Unrecorded Agency Funds – There are several agency bank accounts which the District has not recorded on its books. These bank accounts are under the School's Federal ID Number.

Recommendation – The District should account for all agency funds that are truly in the District's control. If the funds are not in the District's control, the accounts should be put under a different Federal ID Number.

Response – We will do this.

Conclusion – Response accepted.

Turkey Valley Community School District

Schedule of Findings

Year Ended June 30, 2004

Part II - Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Robert Huinker, Teacher	Piano Tuning	\$60
John Cuvelier, Board Member	Shares insurance commissions for District's policies with two other area insurance agencies	\$-

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – The minutes record was examined and appeared to give a condensed account of business transactions by the Board. No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-04 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for September 2003 was overstated. The District's certified enrollment count included 14 non-resident students in line 1 which were also included in line 8 as open enrolled in nonresident students. This resulted in overstating the total actual enrollment in line 7 by 14 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.